

AR20



SPARLINGS

Directors

W. ADSHEAD — President
J.P. LOCKINGTON — Managing Director
L. BROWN
B. COMPTON
J.S. DONALDSON
B. PHILLEY
G. SPARLING



Report for the Six Months Ended

August 31, 1971

GEORGE SPARLING LTD.
120 West 4th Avenue
Vancouver 10, B.C.

GEORGE SPARLING LTD.

GEORGE SPARLING LTD.

and subsidiary companies

CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED AUGUST 31, 1971

	1971	1970
Sales	\$2,778,194	\$1,466,155
Net Income Before Income Taxes	\$ 251,741	\$ 135,202
Estimated Income Taxes	121,897	61,567
Net Income for the Period	\$ 129,844	\$ 73,635
Ordinary Shares Outstanding	682,813	546,250
Earnings per Ordinary Share	16.4¢	13.3¢
Earnings per Ordinary Share (Fully Diluted — Note 1)	15.8¢	13.1¢

Note 1:- The fully diluted earnings per share reflect the potential dilution resulting from the exercise of the conversion privileges on both classes of preference shares.

Note 2:- The comparative figures for the six months ended August 31, 1970 do not reflect the operation of Lockington Sports Limited, acquired effective March 1, 1971.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS FOR THE SIX MONTHS ENDED AUGUST 31, 1971

Funds were obtained from:

	1971	1970
Operations		
Net income	\$ 129,844	\$ 73,635
Add non-cash charges — depreciation	8,506	7,217
	<u>\$ 138,350</u>	<u>\$ 80,852</u>
Funds acquired on acquisition of subsidiary companies	\$ 516,125	\$ 90,434
Less: Funds used to acquire subsidiaries	182,371	161,650
	<u>\$ 333,754</u>	<u>\$ (71,216)</u>
	<u>\$ 472,104</u>	<u>\$ 9,636</u>

Funds were used for:

Purchase of fixed assets — net	\$ 16,149	\$ 9,633
Dividends paid	1,250	1,250
	<u>\$ 17,399</u>	<u>\$ 10,883</u>
Increase (decrease) in funds	454,705	(1,247)
	<u>\$ 472,104</u>	<u>\$ 9,636</u>

To the Shareholders:

As a result of the merger with Lockington Sports Limited, effective March 1, 1971, the Consolidated Statement of Income for your company shows substantial gains in sales, net income and earnings per share.

The figures for the first half of our 1970 fiscal year are not directly comparable with the 1971 statement because of the substantial effect of consolidating the Lockington Sports Limited operations. This latter company did not, prior to the merger, have the same fiscal period as ours so it was not possible to present comparable figures for the previous period.

Lockington Sports Limited had sales of \$1,067,000 for the six month period, an increase of better than 16% over their sales for the corresponding 1970 period, and this newest member of our organization contributed substantially to our profit picture.

Sales for our western operations, which consist of the George Sparling Limited and Premier Sports (Calgary) Limited operations, also rose by more than 16% in the first half of this year compared with the same period last year, but profit margins were under pressure and as a result the net income declined slightly. During the second half of the year, which is the more important sales period for the western operations, we will be striving to restore our profit margins to achieve a gain in net income that would match our sales increases.

Your company's expansion program is continuing in several directions, with new locations being investigated in British Columbia. Additional warehouse space adjacent to the head office in Vancouver has been acquired and a new warehouse in Toronto will shortly be open to expand our operations in that city. A metal fabrication company that will supply a portion of our gymnasium equipment, has also been established in Eastern Canada.

Despite the sluggish growth in the Canadian economy recently, the market for sporting goods and leisure time equipment has continued to expand steadily. By maintaining our leadership in this field, we look forward to another year of record sales and profits.

W. ADSHEAD
President

October 30, 1971
Vancouver, B.C.